Daily Comment

Confluence INVESTMENT MANAGEMENT

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[Posted: April 29, 2026 — 9:30 AM ET] Global equity markets are mostly higher this morning. In Europe, the Euro Stoxx 50 is down 0.3% from its prior close. In Asia, the MSCI Asia Apex 50 Index closed up 0.1%. Chinese markets were higher, with the Shanghai Composite up 0.7% and the Shenzhen Composite up 1.7%. US equity index futures are signaling a higher open.

With 199 companies having reported so far, S&P 500 earnings for Q1 are running at $72.50 per share, compared to estimates of $72.32, which is up 12.6% from Q1 2025. Of the companies that have reported thus far, 79.9% exceeded expectations while 12.6% fell short of expectations.

The Confluence macro team publishes a plethora of research reports and multimedia offerings on a weekly and quarterly basis, all available on our website. We highlight recent publications below with new items of the day in bold.

Bi-Weekly Geopolitical Report	Asset Allocation Bi-Weekly	Asset Allocation Quarterly	Of Note
"The War in Iran and the End of US Hegemony" (4/20/26) + podcast	"The Consensus Builder" (4/27/26) + podcast	**Q2 2026 Report**	Keller Quarterly April 2026 Confluence Mailbag

Have a question on the economy, markets, geopolitics, or other important topics? You can submit your queries to our monthly podcast, *Confluence Mailbag*! Submit your question to mailbag@confluenceim.com.

Our *Comment* opens with an analysis of the UAE's OPEC exit and its implications for the cartel. We then examine King Charles's White House visit and what it signals for the US-UK relationship. Next, we discuss the unexpected rise in consumer confidence, China's detainment of Panamanian vessels, Beijing's decision to ease energy export restrictions, and a new Republican capital gains tax proposal. As always, we include an overview of recent domestic and international economic data.

OPEC Break Up: The United Arab Emirates announced its plan to withdraw from OPEC in May. Although the UAE had previously signaled its intention to operate outside OPEC's production constraints, the ongoing war with Iran has forced a shift toward unrestricted output.

This decision highlights how the conflict has strained cooperation among OPEC members, particularly as some members face the immediate need to fund infrastructure repairs following regional strikes.

- The UAE will exit OPEC on May 1, ending nearly six decades of membership. The move delivers a meaningful blow to the cartel as the UAE is its third-largest producer and accounts for roughly 12% of core members' output. The decision signals an intent to accelerate production growth once operational plans are finalized, positioning the country to capitalize on recovering demand, particularly when the Strait of Hormuz reopens, without the constraints of OPEC quotas.
- A smaller OPEC is likely to raise questions about the group's ability to enforce production constraints effectively. The UAE's decision to withdraw appears driven in part by its growing rivalry with the cartel's de facto leader, Saudi Arabia, as well as frustration with Riyadh's quota-setting dominance and its reluctance to take more forceful steps to reopen the strait. While there are no clear signs of a broader exodus, the UAE's departure is likely to cast doubts on OPEC's overall influence on the global oil market.
- OPEC's influence over global energy markets has eroded since the US shale boom of the 2000s. The cartel only regained some control after coordinating a supply surge to reassert pricing power. The UAE's exit may signal expectations of an impending price war once the strait reopens. While oil prices could remain elevated in the near term, they are likely to face downward pressure as transit resumes and Gulf producers bring additional capacity back online.

The Special Relationship: The White House hosted King Charles III on Tuesday as both nations seek to repair strained relations. During his visit, King Charles delivered a speech to Congress emphasizing the importance of reconciliation with allies and upholding the democratic principles on which the United States was founded. The address struck a diplomatically lighthearted tone while subtly acknowledging recent tensions between Washington and its traditional partners, particularly the United Kingdom.

- The visit comes at a contentious moment when both nations have displayed mutual distrust, particularly over the war with Iran. The US has criticized the UK for disloyalty after Britain refused to allow American forces to use its air bases for strikes. Meanwhile, the UK has faulted the US for prioritizing Israel over its NATO allies through what many members view as a disproportionate military response against Iran. Tensions escalated to the point that the US publicly questioned British sovereignty over the Falkland Islands.
- Although King Charles's speech was seen as an effort to air grievances while mending the relationship, there are signs that the rift may be irreparable. Following the address, the UK ambassador to the US reportedly claimed that America's "special relationship" is now with Israel rather than Britain, reflecting a broader shift in the political alignment. His comments likely reflect the ongoing pessimism that UK leadership feels toward the US.
- While King Charles's visit may ease near-term tensions, it is unlikely to reverse the broader fracturing of US-European relations. We continue to expect NATO members to accelerate defense and aerospace spending as they seek greater autonomy from US

security guarantees. European defense contractors are likely to be the primary beneficiaries of this strategic realignment.

Consumer Confidence: The Conference Board's consumer confidence report showed sentiment rose in April, as optimism about the job market outweighed concerns over elevated energy prices. The index climbed unexpectedly to 92.8 from 92.2, beating expectations of 89.0. While the survey showed households remain worried about inflation stemming from the Iran conflict, strong hiring and limited layoffs helped offset those concerns. The uptick in confidence suggests household consumption may accelerate later this year.

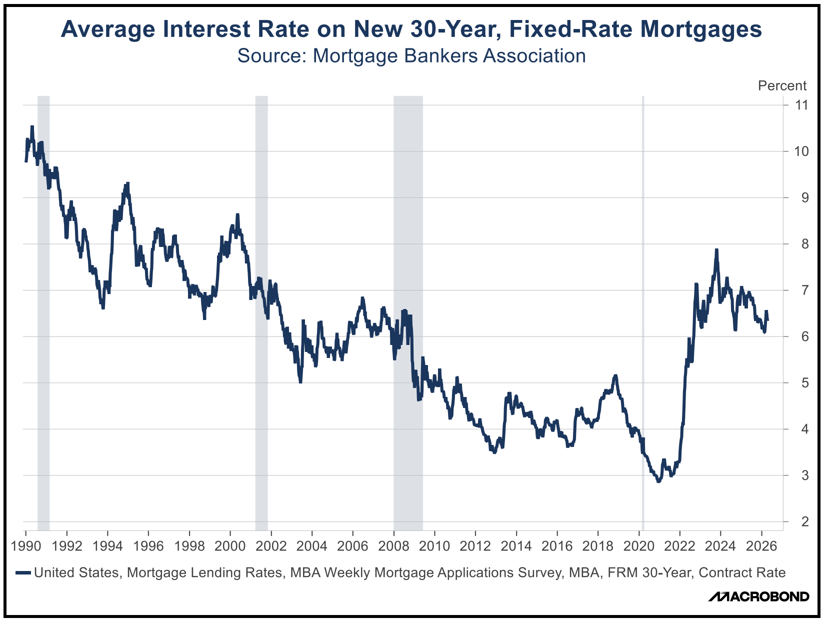
China-US Frictions: The US and several Latin American countries have condemned China for detaining 70 Panamanian-flagged vessels following an unfavorable ruling by Panamanian courts that annulled contracts granted to Chinese companies operating ports in the region. Beijing has accused Washington of leveraging its influence to undermine China's regional presence. The dispute is expected to feature prominently in talks covering trade, AI, and broader geopolitical issues.

China Energy Exports: Beijing is set to ease export restrictions on select energy products as it seeks to alleviate global supply shortages. China had initially limited sales of jet fuel, gasoline, and diesel at the start of the year to protect domestic inventories. However, those restrictions appear to have been relaxed, as evidenced by a surge in export permit applications from Chinese companies. The release of Chinese fuels could provide relief, particularly to Asian nations seeking alternatives to energy supplies from the Middle East.

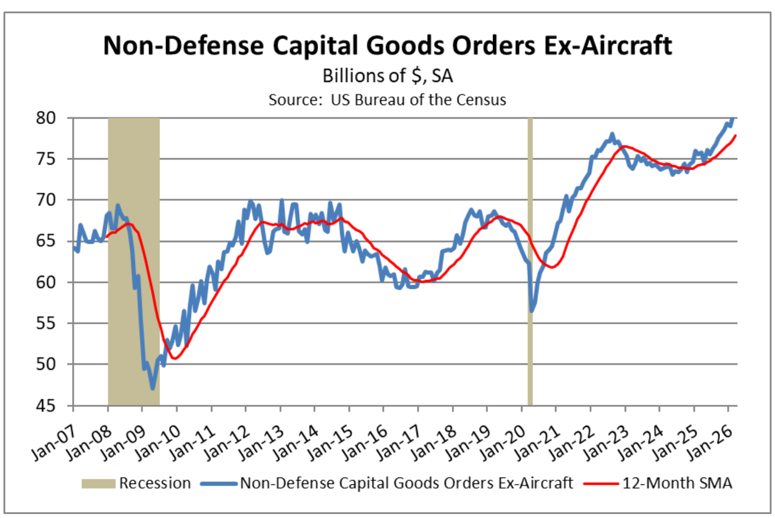
Another Tax Cut? Republican lawmakers are proposing lower capital gains taxes to address affordability concerns. The legislation would index capital gains to inflation, reducing the effective tax burden on investment profits. While the level of support for the bill remains unclear, it is likely to be incorporated into the next tax and spending package later this year. The move could incentivize greater equity ownership as investors seek to minimize their tax liabilities.

US Economic Releases

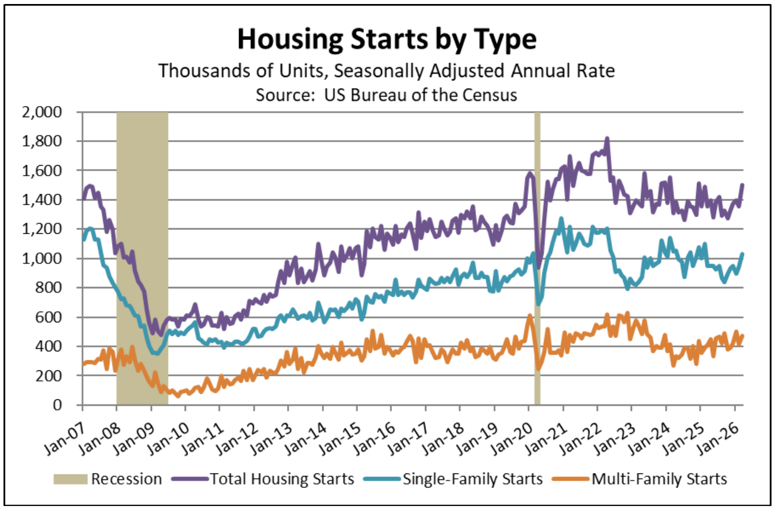
The Mortgage Bankers Association said ***mortgage applications*** in the week ended April 24 fell 1.6%, after rising 7.9% in the previous week. Applications for home purchase mortgages rose 1.2%, building on their 10.1% jump the prior week. Applications for refinancing mortgages dropped 4.4%, erasing most of their 5.8% gain from the week before. The average interest rate on a 30-year, fixed-rate mortgage rose 2 basis points to 6.37%. The chart below shows how mortgage rates have changed over time.



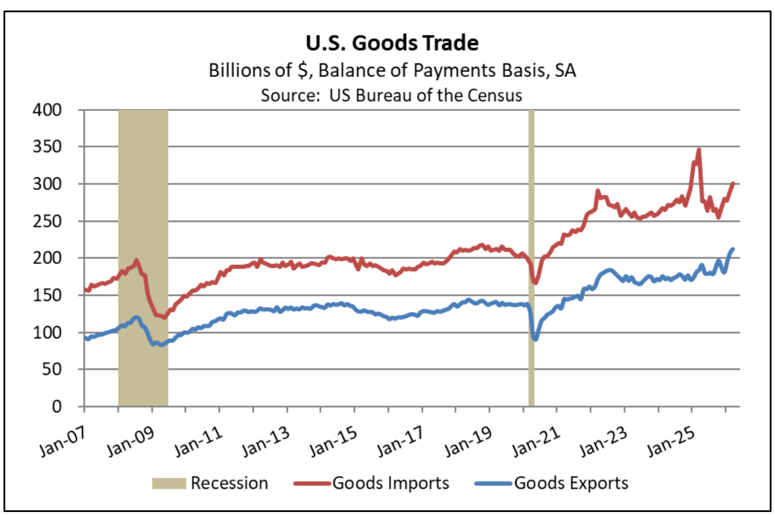
Separately, March ***durable goods orders*** rose by a seasonally adjusted 0.8%, beating the expected rise of 0.5% and reversing much of their revised 1.2% decline in February. Durable goods orders are often driven by transportation equipment, where just a few airliner orders can have a big impact. March ***durable goods orders excluding transportation*** jumped 0.9%, more than double their anticipated rise of 0.4% but not quite matching their revised February increase of 1.2%. Finally, the durable goods report also includes a key proxy for corporate capital investment. In March, nondefense capital goods orders ex-aircraft surged 3.3%, several times more than the expected rise of just 0.5% and more than double their revised February jump of 1.6%. Compared with the same month one year earlier, overall durable goods orders in March were up 2.8%, while durable orders ex-transport were up 8.9%. Nondefense capital goods orders ex-aircraft were up an extraordinary 10.8%. The chart below shows nondefense capital goods orders ex-aircraft since just before the Great Financial Crisis.



March ***housing starts*** rose to a seasonally adjusted, annualized rate of 1.502 million units, beating the expected rate of 1.380 million units. The rate of housing starts in March was up 10.8% from the rate in the previous month. March ***housing permits*** fell to a rate of 1.372 million units, short of their anticipated rate of 1.390 million units. Permits issued for new housing units in March were down 10.8% from the previous month. Compared with the same month one year earlier, housing starts in March were up 11.9%, while permits were down 1.4%. The chart below shows the growth in new home starts by type of property since just before the GFC.



In a final report today, a preliminary estimate showed the US ***merchandise trade balance*** in March came in at a seasonally adjusted deficit of $87.9 billion, almost matching the expected shortfall of $88.0 billion but wider than the February deficit of $83.5 billion. According to the data, total merchandise exports rose 2.5%, while imports rose 3.3%. Compared with the same month one year earlier, exports in March were up 15.3%, while imports were down 13.0%. The chart below shows the monthly value of US goods exports and imports since just before the GFC.



The table below lists the economic releases and Fed events scheduled for the rest of the day.

Economic Releases						
EST	Indicator			Expected	Prior	Rating
14:00	FOMC Rate Decision (Lower Bound)	w/w	29-Apr	3.50%	3.50%	***
14:00	FOMC Rate Decision (Upper Bound)	w/w	29-Apr	3.75%	3.75%	***
14:00	Interest on Reserve Balances Rate	w/w	30-Apr	3.65%	3.65%	**
Federal Reserve						
EST	Speaker or Event	District or Position				
14:30	U.S. Federal Reserve Holds Press Conference	Federal Reserve Board				

Foreign Economic News

We monitor numerous global economic indicators on a continuous basis. The most significant international news that was released overnight is outlined below. Not all releases are equally significant; thus, we have created a star rating to convey to our readers the importance of the various indicators. The rating column below is a three-star scale of importance, with one star being the least important and three stars being the most important. We note that these ratings do shift over time as economic circumstances change. Additionally, for ease of reading, we have also color-coded the market impact section, which indicates the effect on the foreign market. Red indicates a concerning development, yellow indicates an emerging trend that we are following closely for possible complications, and green indicates neutral conditions. We will add a paragraph below if any development merits further explanation.

Country	Indicator			Current	Prior	Expected	Rating	Market Impact
ASIA-PACIFIC								
Australia	CPI	y/y	Mar	4.6%	3.7%	4.8%	**	Equity and bond neutral
EUROPE								
Eurozone	M3 Money Supply	y/y	Mar	3.2%	3.0%	3.1%	***	Equity and bond neutral
	Economic Confidence	m/m	Apr	93.0	96.2	95.1	***	Equity bearish, bond bullish
	Industrial Confidence	m/m	Apr	-7.7	-7.0	-7.0	***	Equity bearish, bond bullish
	Services Confidence	m/m	Apr	0.9	4.1	3.0	**	Equity bearish, bond bullish
	Consumer Confidence	m/m	Apr F	-20.6	-20.6		**	Equity and bond neutral
Germany	CPI	y/y	Apr P	2.9%	2.7%	2.9%	***	Equity and bond neutral
	CPI, EU Harmonized	y/y	Apr P	2.9%	2.8%	3.1%	**	Equity and bond neutral
Italy	Consumer Confidence Index	m/m	Apr	90.8	92.6	91.3	***	Equity and bond neutral
	Economic Sentiment	m/m	Apr	95.2	97.3		**	Equity and bond neutral
	Manufacturing Confidence	m/m	Apr	87.9	88.7	88.0	***	Equity and bond neutral
AMERICAS								
Mexico	International Reserves Weekly	w/w	24-Apr	$256543m	$257131m		*	Equity and bond neutral
Brazil	FGV Inflation IGPM	y/y	Apr	0.61%	-1.83%	0.42%	***	Equity and bond neutral

Financial Markets

The table below highlights some of the indicators that we follow daily. Again, the color coding is similar to the foreign news description above. We will add a paragraph below if a certain move merits further explanation.

Fixed Income	Today	Prior	Change	Trend
3-mo T-bill yield (bps)	359	359	0	Up
U.S. Sibor/OIS spread (bps)	366	366	0	Up
U.S. Libor/OIS spread (bps)	365	365	0	Up
10-yr T-note (%)	4.36	4.35	0.01	Up
Euribor/OIS spread (bps)	215	217	-2	Up
Currencies	**3 Mo**			
Dollar	Down	US		Up
Euro	Up	Euro		Down
Yen	Up	Japan		Down
Pound	Up	UK		Down
Franc	Up	Switzerland		Down

Commodity Markets

The commodity section below shows some of the commodity prices and their change from the prior trading day, with commentary on the cause of the change highlighted in the last column.

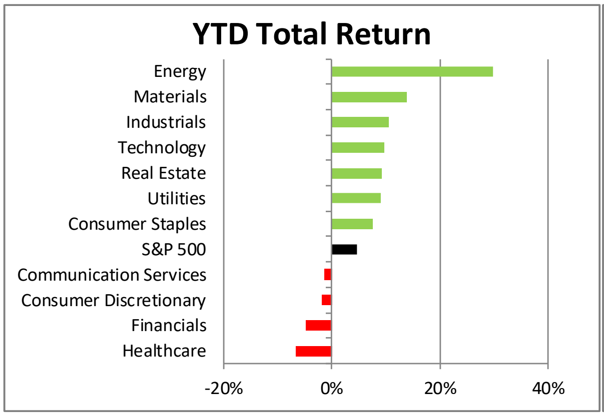
	Price	Prior	Change	Explanation
Energy Markets				
Brent	$114.61	$111.26	3.01%	
WTI	$103.26	$99.93	3.33%	
Natural Gas	$2.66	$2.69	-1.15%	
Crack Spread	$51.49	$50.71	1.54%	
12-mo strip crack	$40.58	$39.43	2.92%	
Ethanol rack	$2.18	$2.18	0.13%	
Metals				
Gold	$4,565.77	$4,596.75	-0.67%	
Silver	$72.65	$73.08	-0.59%	
Copper Contract	$598.15	$597.40	0.13%	
Grains				
Corn contract	$477.00	$475.50	0.32%	
Wheat contract	$662.00	$657.75	0.65%	
Soybeans contract	$1,193.75	$1,189.25	0.38%	
Shipping				
Baltic Dry Freight	2,677	2,666	11	
DOE Inventory Report				
	Actual	**Expected**	**Difference**	
Crude (mb)		-0.19		
Gasoline (mb)		-2.79		
Distillates (mb)		-2.15		
Refinery run rates (%)		0.39%		
Natural gas (bcf)		83		

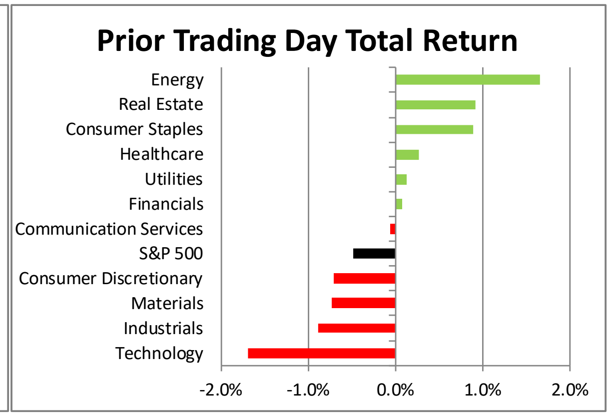
Weather

The 6-to-10-day and 8-to-14-day forecasts currently call for warmer-than-normal temperatures in the Pacific Northwest and southern Florida, with cooler-than-normal temperatures extending from the Great Plains to the East Coast excluding Florida. The outlook calls for wetter-than-normal conditions in the southern half of the country and the Northeast, with dry conditions in the Pacific Northwest, the northern Rocky Mountains, and the Upper Midwest.

Data Section

US Equity Markets – (as of 4/28/2026 close)

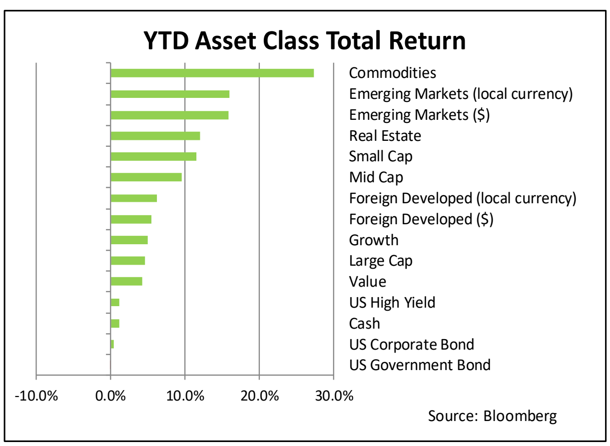




(Source: Bloomberg)

These S&P 500 and sector return charts are designed to provide the reader with an easy overview of the year-to-date and prior trading day total return. Sectors are ranked by total return; green indicating positive and red indicating negative return, along with the overall S&P 500 in black. These charts represent the new sectors following the 2018 sector reconfiguration.

Asset Class Performance – (as of 4/28/2026 close)

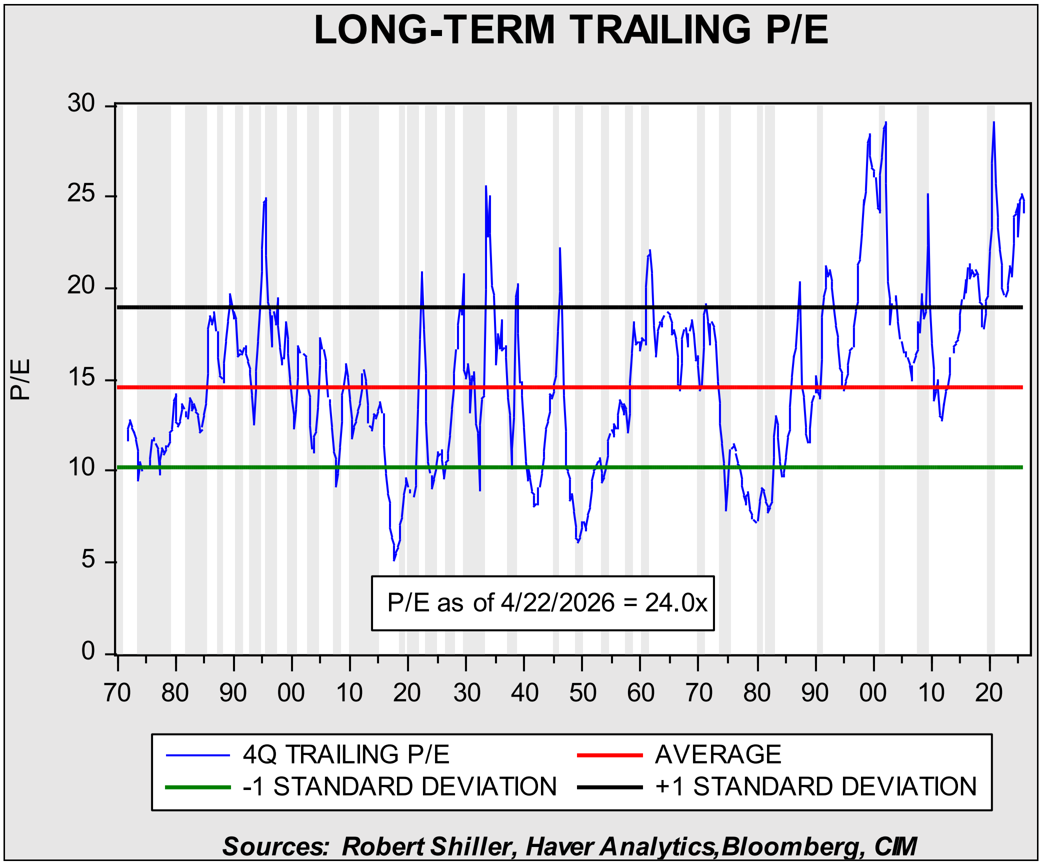


This chart shows the year-to-date returns for various asset classes, updated daily. The asset classes are ranked by total return (including dividends), with green indicating positive and red indicating negative returns from the beginning of the year, as of prior close.

Asset classes are defined as follows: Large Cap (S&P 500 Index), Mid Cap (S&P 400 Index), Small Cap (Russell 2000 Index), Foreign Developed (MSCI EAFE (USD and local currency) Index), Real Estate (FTSE NAREIT Index), Emerging Markets (MSCI Emerging Markets (USD and local currency) Index), Cash (iShares Short Treasury Bond ETF), US Corporate Bond (iShares iBoxx $ Investment Grade Corporate Bond ETF), US Government Bond (iShares 7-10 Year Treasury Bond ETF), US High Yield (iShares iBoxx $ High Yield Corporate Bond ETF), Commodities (Bloomberg total return Commodity Index), Value (S&P 500 Value), Growth (S&P 500 Growth).

P/E Update

April 23, 2026



Based on our methodology,[1] the current P/E is 24.0x, up 0.3 from the previous report. Last week, the rise in the stock price index average outpaced the increase in earnings.

This report was prepared by Confluence Investment Management LLC and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward-looking statements expressed are subject to change. This is not a solicitation or an offer to buy or sell any security.

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[1] This chart offers a running snapshot of the S&P 500 P/E in a long-term historical context. We are using a specific measurement process, similar to *Value Line*, which combines earnings estimates and actual data. We use an adjusted operating earnings number going back to 1870 (we adjust as-reported earnings to operating earnings through a regression process until 1988), and actual operating earnings after 1988. For the current quarter, we use the Bloomberg estimates which are updated regularly throughout the quarter; currently, the four-quarter earnings sum includes three actual quarters (Q1, Q2, Q4) and one estimate (Q3). We take the S&P average for the quarter and divide by the rolling four-quarter sum of earnings to calculate the P/E. This methodology isn't perfect (it will tend to inflate the P/E on a trailing basis and deflate it on a forward basis), but it will also smooth the data and avoid P/E volatility caused by unusual market activity (through the average price process). Why this process? Given the constraints of the long-term data series, this is the best way to create a long-term dataset for P/E ratios.